

3. TRANSITION PROVISIONS.

(a) "Previous Agreement" means any Long-Term Hog Procurement Agreement between Producer and Hormel Foods relating to the hog production operation supplying hogs under this Agreement in effect at the time this Agreement is executed by Producer and Hormel Foods (whether in the initial or extended term). If a Previous Agreement exists when the parties execute this Agreement, then such Previous Agreement shall be amended and restated in its entirety by this Agreement.

(b) "Extended Agreement" means, where Producer and Hormel Foods have not executed this Agreement, any Long-Term Hog Procurement Agreement between Producer and Hormel Foods which is extended on the terms set forth in this Agreement. If an Extended Agreement exists, then nothing in this Agreement shall modify the provisions of such Extended Agreement which establish the duration of the extended term or Producer's right to terminate such Extended Agreement at any time during the extended term by paying Hormel Foods cash in an amount equal to the Negative Cash Balance.

(c) "Negative Cash Balance" means the excess, if any, of the aggregate Contract Price that Hormel Foods has paid to Producer for hogs purchased from Producer under (1) this Agreement and the Previous Agreement or (2) this Agreement and the Extended Agreement, as the case may be, over the total market value, based on Market Base Prices, of those same hogs. Producer acknowledges that the **Negative Cash Balance** as of the effective date of this Agreement is \$ _____. Hormel Foods shall account for the Negative Cash Balance and provide Producer a monthly statement of the current Negative Cash Balance until such time as the Negative Cash Balance is eliminated pursuant to paragraph 3.(d) or 3.(e).

(d) If a Previous Agreement existed when the parties executed this Agreement, the effective date of this Agreement is October 31, 1999 or before, and Producer delivered a signed original of this Agreement to Hormel Foods no later than October 31, 1999, then and only then do the following provisions of paragraphs 3.(d)(1) and 3.(d)(2) apply:

(1) For the period from the effective date of this Agreement through November 3, 2002, the Guaranteed Minimum Price shall be determined as follows:

(A) For the period from the effective date of this Agreement through November 5, 2000, the Guaranteed Minimum Price shall be determined as set forth in paragraph 2.(d) except that One Dollar (\$1.00) per live cwt., instead of Four Dollars (\$4.00) per live cwt., shall be subtracted from the price per live cwt. set forth in the Floor Price Matrix prior to converting to a price per carcass cwt.

(B) For the period from November 6, 2000 through November 4, 2001, the Guaranteed Minimum Price shall be determined as set forth in paragraph 2.(d) except that Two Dollars (\$2.00) per live cwt., instead of Four Dollars (\$4.00) per live cwt., shall be subtracted from the price per live cwt. set forth in the Floor Price Matrix prior to converting to a price per carcass cwt.

(C) For the period from November 5, 2001 through November 3, 2002, the Guaranteed Minimum Price shall be determined as set forth in paragraph 2.(d) except that Three Dollars (\$3.00) per live cwt., instead of Four Dollars (\$4.00) per live cwt., shall be subtracted from the price per live cwt. set forth in the Floor Price Matrix prior to converting to a price per carcass cwt.

(2) Upon (A) the Negative Cash Balance reaching fifty percent (50%) of the Negative Cash Balance as of the effective date of this Agreement, or (B) five years after the effective date of this Agreement, whichever comes first, provided Producer shall have fully performed under this Agreement through such time, then the Negative Cash Balance shall be deemed eliminated at such time and Producer